



Excise Tax Advisory

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NUMBER: 087.04.136: **Repealed June 30, 2000**

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LABOR COSTS PAID BY ANOTHER CORPORATION

Issued July 22, 1966

Repealed June 30, 2000

Are amounts received from another company for labor costs taxable under the "Processing for Hire" classification?

A taxpayer owned a cannery and cold storage plant. A contract was entered into with another corporation in which the taxpayer promised to process and can tuna owned by the other corporation in return for reimbursement of certain costs plus a fixed fee per case. The cannery workmen were paid by the taxpayer, but reimbursements were made by the other corporation for the exact cost of all payroll expenses.

The Commission held that amounts received by the taxpayer for services performed by its employees were part of the gross income subject to tax under the Processing for Hire classification. Although it appeared that the other corporation could have assumed the direct responsibility as an employer of the cannery workmen, the contract failed to make any express or implied employment provision establishing such a relationship.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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